LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6821 **NOTE PREPARED:** Dec 30, 2006
BILL NUMBER: HB 1276 **BILL AMENDED:**

SUBJECT: New Generation Tax Credits.

FIRST AUTHOR: Rep. Friend **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill provides that the Department of Agriculture may certify taxpayers that invest in certain agricultural businesses as investor members. The bill provides that an investor member is eligible for a tax credit equal to the lesser of (1) 50% of the investor member's investment; or (2) $15,000. The bill limits the annual amount of credits available per state fiscal year to $6 M.

Effective Date: January 1, 2008.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR would incur some administrative expenses related to the revision of tax forms, instructions, and computer programs to incorporate this tax credit. The DOR's current level of resources should be sufficient to implement these changes.

Indiana Department of Agriculture (IDOA): The bill requires the IDOA to approve New Generation Processing or Marketing Entities (NGPMEs) and certify the entity for purposes of the tax credit.

The funds and resources required could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

For FY 2006, IDOA reverted $173,614 in state General Fund revenues. The December 4, 2006, state staffing report indicated that the IDOA had 68 filled full-time positions.

Explanation of State Revenues: *Summary:* The bill establishes a credit against the Gross Retail and Use Tax, Adjusted Gross Income (AGI) Tax, Financial Institutions Tax, or Insurance Premiums Tax liability for qualified taxpayers who make investments in NGPME. The precise annual revenue loss due to this bill is indeterminable. However, the bill limits aggregate credits that may be claimed each year to $6 M. The bill allows a taxpayer to transfer, sell or otherwise convey the tax credit to another taxpayer. This provision could increase the initial utilization of this credit.

The annual revenue loss could potentially begin in the second half of FY 2008 or FY 2009.

The net revenue impact depends on the extent that collections from earnings and employment attributable to processing operations by NGPMEs are less than or exceed the amount of credits claimed by taxpayers. However, if the processing operations would have occurred in the absence of the tax credit, the net impact would be the total credits claimed by taxpayers.

Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. Revenue from the AGI Tax on individuals is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%). Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IDOA; DOR.

Local Agencies Affected:

Information Sources: State Personnel Staffing Report, 12/4/2006.

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